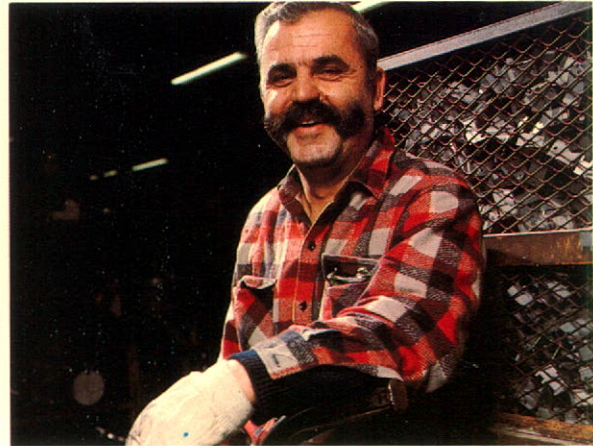
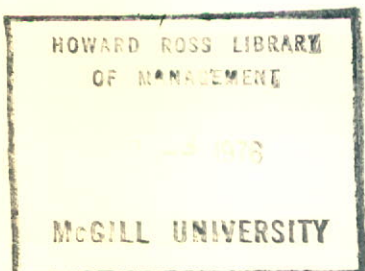




GSW Limited/Limitée

A Canadian Company



1975 Annual Report

Summary Message

Facts in Brief

GSW is a diversified Canadian company with manufacturing, warehousing, and sales and service facilities located throughout Canada.

The role of people in the success of the company's commercial activities is acknowledged in this annual report. Consumers commit to buy our products, employees take the extra measure of care which insures the manufacture of quality products, and service technicians provide efficient and pleasant home service. The important contributions made by many suppliers of goods and services to GSW's past and future is also acknowledged.

This report is a product of the efforts of many managers throughout the company, who have written the reports on divisional and functional activities. Every GSW employee will receive a copy of this 1975 Annual report.

1975 1974

(\$000's except

per share data)

	1975	1974
SALES	\$134,664	\$122,339
NET INCOME	5,357	3,119
EARNINGS PER COMMON SHARE	1.30	.74
CURRENT RATIO	1.8 to 1	1.4 to 1
WORKING CAPITAL	20,799	16,023
SHAREHOLDERS' EQUITY	\$ 24,635	\$ 19,858

GSW Limited/Limitée

Executive Offices
45 St. Clair Avenue West
Toronto, Ontario, Canada

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Board of Directors

R. M. Barford
P. de Gaspé Beaubien
W. J. Bushnell
H. B. Davis
G. M. Farquharson, Q.C.
D. S. R. Leighton
J. K. Loudon
R. A. Stevens
Ben Wosk

Director Emeritus

Miss M. P. Hyndman, Q.C.

Officers

R. M. Barford,
Chairman
R. A. Stevens,
President
L. Hollander,
Group Vice-President,
Appliance Group
N. H. Smith,
Group Vice-President,
General Products Group
F. O. Price,
Vice-President,
Research & Development
G. S. Dickson,
Vice-President, Corporate
N. St. Jean,
Vice-President
D. G. Fixter,
Treasurer
G. M. Farquharson, Q.C.,
Secretary
W. D. Campbell,
Assistant Treasurer
D. A. Barnes,
Assistant Secretary

Share Transfer Agents

Preferred Shares, The Canada
Trust Company
Common Shares, National Trust
Company Limited

Bank

The Bank of Nova Scotia

Audit

Clarkson, Gordon & Co.

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General Products Group

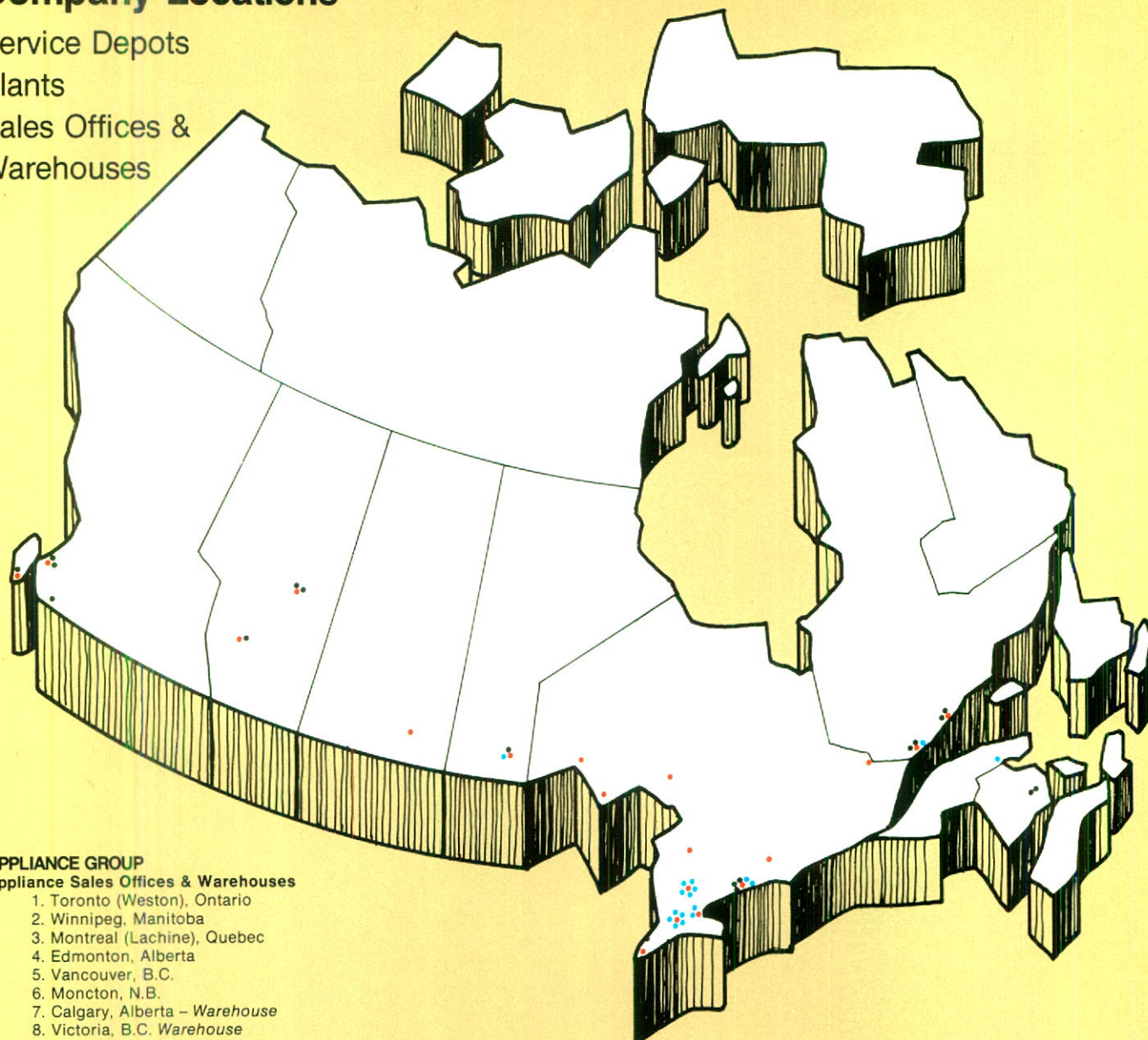
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Company Locations

- Service Depots
- Plants
- Sales Offices & Warehouses



APPLIANCE GROUP

Appliance Sales Offices & Warehouses

1. Toronto (Weston), Ontario
2. Winnipeg, Manitoba
3. Montreal (Lachine), Quebec
4. Edmonton, Alberta
5. Vancouver, B.C.
6. Moncton, N.B.
7. Calgary, Alberta – Warehouse
8. Victoria, B.C. Warehouse

Range Division

1. Weston, Ontario – Plant

Refrigerator Division

1. London, Ontario – Plant

Laundry Division

1. London, Ontario – Plant

Element Division

1. Weston, Ontario – Plant

Freezer Division

1. Fergus, Ontario – Plant
2. London, Ontario – Plant

Home Service Division

1. Weston, Ontario – Head Office & Warehouse
2. Toronto, Ontario – Service Depot
3. Barrie, Ontario – Service Depot
4. London, Ontario – Service Depot
5. Sudbury, Ontario – Service Depot
6. Peterborough, Ontario – Service Depot
7. Sault Ste. Marie, Ontario – Service Depot
8. Hamilton Ontario – Service Depot
9. Windsor, Ontario – Service Depot
10. Ottawa, Ontario – Service Depot
11. Fergus, Ontario – Service Depot
12. Thunder Bay, Ontario – Service Depot

13. Regina, Saskatchewan – Service Depot

14. Edmonton, Alberta – Service Depot

15. Quebec, Quebec – Service Depot

16. Calgary, Alberta – Service Depot

17. Vancouver, B.C. – Service Depot

18. Winnipeg, Manitoba – Service Depot

19. Montreal, Quebec – Service Depot

20. Victoria, B.C. – Service Depot

COMMANDO CHROME PLATING DIVISION

1. London, Ontario – Plant

HOUSEWARES DIVISION

1. Baie d'Urfe, Quebec – Plant
2. Weston, Ontario – Sales Office

GENERAL PRODUCTS GROUP

Pump Division

1. Fergus, Ontario – Plant
2. Ajax, Ontario – Plant
3. Montreal, Quebec – Sales & Warehouse
4. Edmonton, Alberta – Sales & Warehouse
5. Chilliwack, B.C. – Sales & Warehouse
6. Moncton, N.B. – Sales & Warehouse

Industrial Pump Division

1. Winnipeg, Manitoba – Plant
2. Bramalea, Ontario – Sales Office

Water Heater Division

1. Fergus, Ontario – Plant
2. Durdas, Ontario – Plant
3. Montreal, Quebec – Sales Office
4. Vancouver, B.C. – Sales & Warehouse

Building Products Division

1. London, Ontario – Plant

Metalwares Division

1. Hamilton, Ontario – Plant
2. Vancouver, B.C. – Sales & Warehouse

Industrial Division

1. Fergus, Ontario – Plant

Farm Equipment Division

1. Fergus, Ontario – Plant

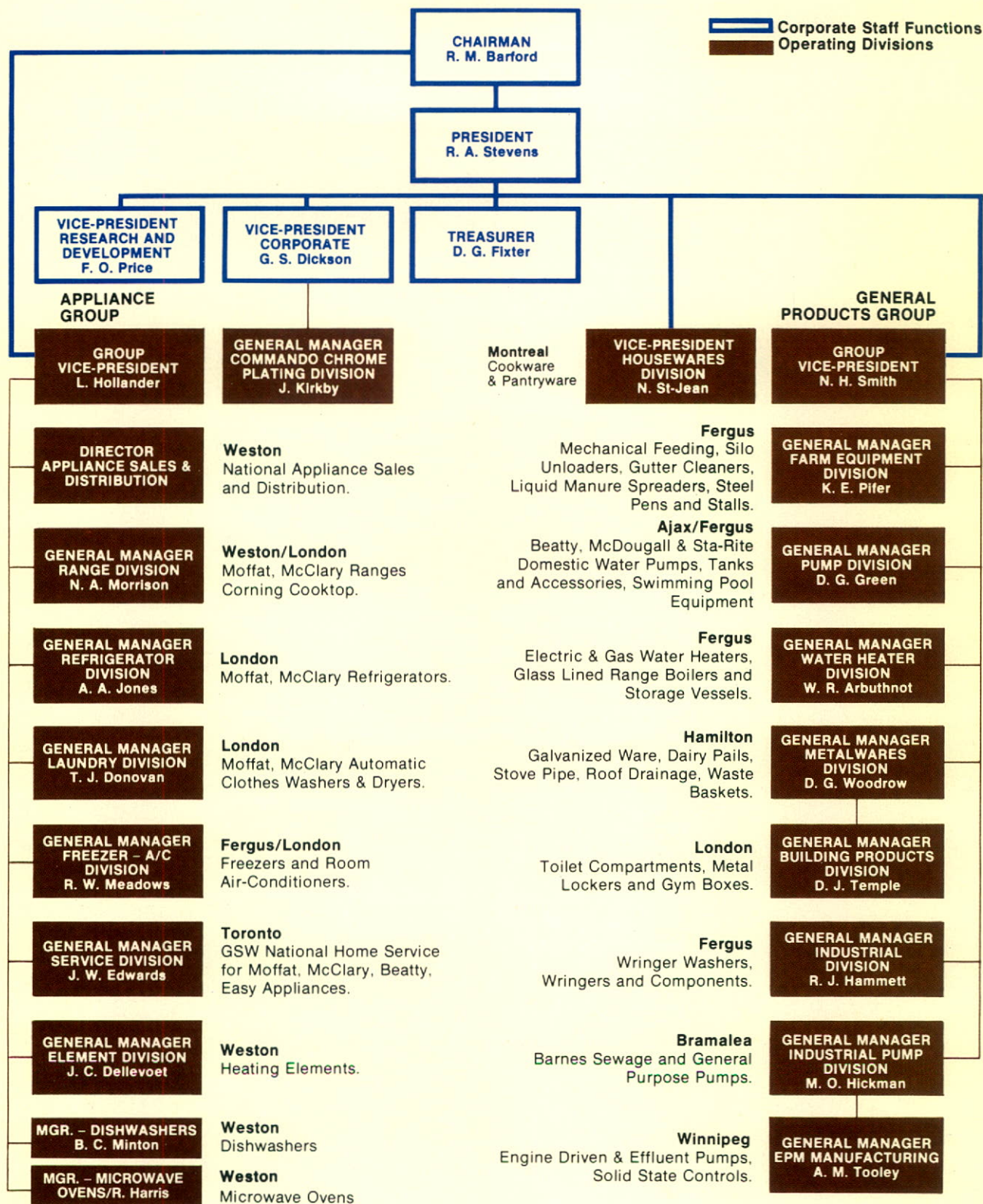
R & D CENTRE

1. Mississauga, Ontario – Research Facility (Sheridan Park)

CORPORATE OFFICE

1. Toronto, Ontario

The Company and its Divisions



Appliance Group

Range Division

The Range Division, established mid-year 1974, operated in 1975 with all its functions and departments coordinated at the Weston Range Plant, with the exception of the manufacture of McClary brand ranges in London. As a result, the Division performed with improved coordination and as a team during the abnormal marketing conditions that prevailed during the year.

Final Range production in the London plant was completed in December 1975. Production of McClary 30" Ranges was started in January in the Weston Plant.

Costs of materials and services continued to rise throughout most of the year. Despite intensive cost reduction programmes in Product Engineering and Manufacturing, price increases to our customers were necessary.

Marketing efforts in the second half of 1975 centred around new product introductions which included a new range line being offered to the McClary distribution in October. Initial sales results and bookings indicate a strong acceptance and resurgence by the dealers of McClary brand ranges.

Smooth Top product development continued at a strong pace, focussing on another Moffat range exclusive, the Gourmet Smooth Top; additional free standing models under the Moffat brand; and a McClary version – a first for this channel.

A new Labour Agreement for two years was signed in early September 1975, with both the Hourly and Salaried employees, at the Weston Site. We look forward to working cooperatively with the employees to make the new Contract work to the benefit of both employees and the Range Division.

Refrigerator Division

The Refrigerator Division has responded well to the challenge of the depressed market late in 1974, and early 1975. Major overhead expense reductions were achieved. Production was at reduced levels early in the year, and then increased for the remainder of the year.

The McClary line of Refrigerators was upgraded during the year and the new line launched across the country in September, with encouraging results. Long-term McClary Dealers responded with enthusiasm, and subsequent orders have been at a high level.

During the year major emphasis has been placed on quality control, with improvements in design, manufacture and inspection procedures. Improved testing facilities have been introduced, together with additional laboratory facilities, to improve the working of our products under all possible operating conditions.

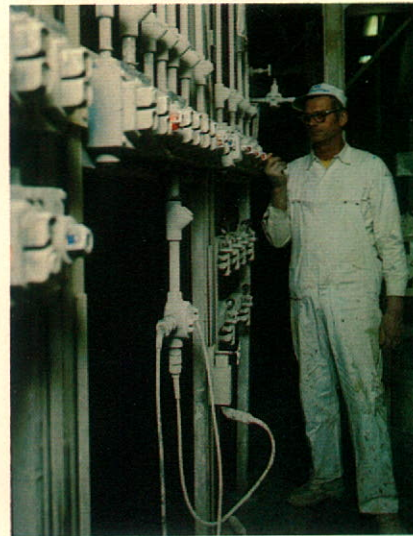
Along with the Laundry Division, further decentralization has taken place in the London Site during the year, with an objective of making both divisions operate as effectively as possible. The physical separation of the divisions has now taken place, with the Refrigerator Division located on the west side of Adelaide Street, and the Laundry Division on the east side.

Use of the old Adelaide Street warehouse has been phased out, with shipments now routed through the company's Highbury Avenue warehouse. As a result, the risk of product damage will be greatly reduced because of the reduction in handling, and the upgrading of handling equipment.



Component assembly, Jane Croxall and George Harman, Weston Plant.

Helene Fich completes cabinet assembly at London plant.

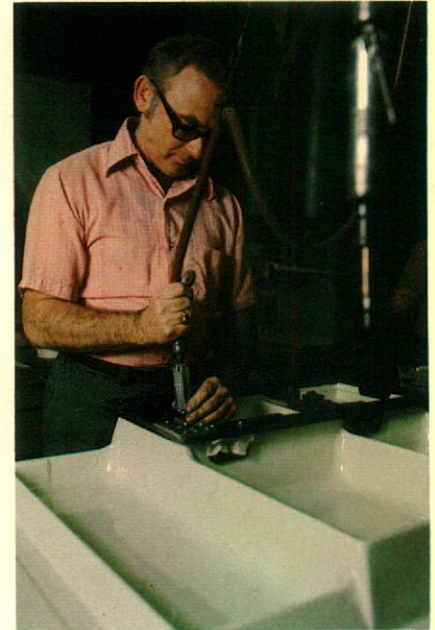


Weston plant, final assembly, Frank Slaney.

London plant spray booth lines, Gordon Muller.



Production foreman, Sam Xerri, discusses product with Range Division Management Team.



Door assembly London plant, Gerald Bergin.

Laundry Division

A growing awareness of superior GSW Laundry quality and long-term reliability is developing within our dealer network from coast to coast, as the message is being communicated through sales training, films, and product presentations by our salesmen.

A programme of new features and feature refinements to improve performance and merchandising was initiated in 1975 and will continue through 1976. Moffat, McClary, and our stencil brands have been re-designed to gain further acceptance by the Canadian consumer.

A major plant facilities study has been undertaken this year. Laundry Administration offices have been relocated with the long-term plans to consolidate space, reduce utility costs, and improve plant efficiencies, to allow for profitable expansion. We will have capacity for four times our present Laundry production volumes.

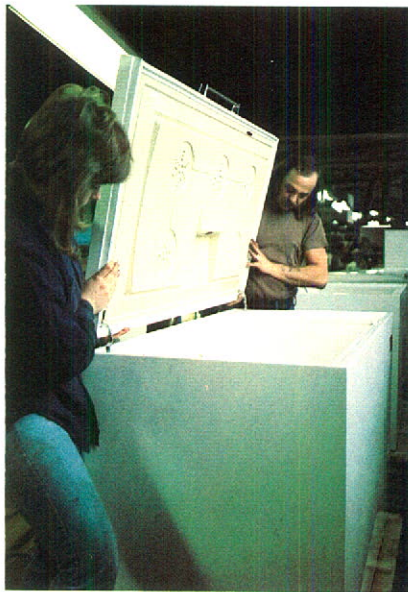
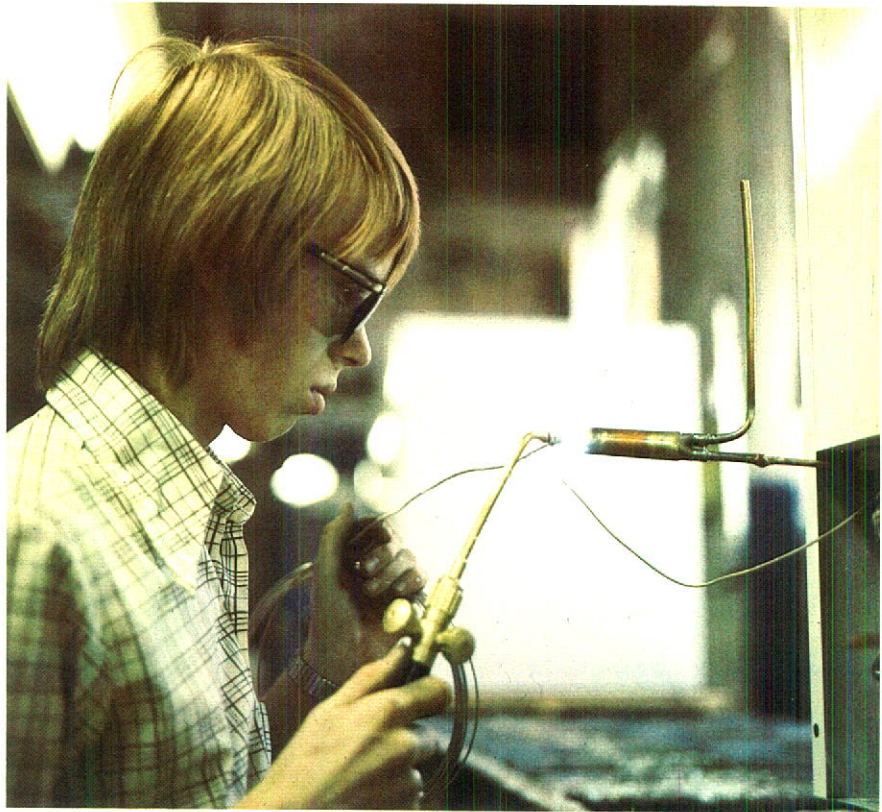
There exists close-knit team spirit in the Laundry Division, from plant personnel to the General Manager.

Freezer/Air Conditioner Division

The continuation of a strong demand for freezers in 1975 has reinforced the new importance of this product to the consumer as a means of helping to offset rapidly rising food costs. Prospects are excellent for a continued high demand in 1976.

Quality emphasis, starting with the installation of highly sensitive leak detection equipment, has continued through the upgrading of tooling and equipment, design revisions and special customer education aids. The addition of an inset handle in combination with the patented hidden hinge is unique, and has overcome a chronic Industry problem. This design now facilitates easy movement of the freezer through household doorways without removing the lid.

The addition of two small sizes to foam freezers now provides GSW with two complete lines, to cover Domestic and Export distribution requirements.



System sealing, Fergus plant, Mike Marshall.

Cabinet to lid assembly Foam Freezer production line, London.

Sandra Leighton, Fibre Freezer liner assembly, Fergus.



Richard Ostafy, Dryer testing, London plant.

Control panel assembly, London, Joyce Wylie.

Element Division

Despite lower internal company sales volume and industry production cutbacks, sales to external customers in range elements, and baseboard elements grew strongly during the year providing a secure base for future growth. New product development and facility improvement programmes are continuing which will contribute additional sales volume and improved product quality and costs in 1976.

Dishwashers

The dishwasher industry did not suffer declining sales to the same degree as some other appliances. Dishwashers are purchased from a contract supplier of high quality products and sold under the Moffat brand.

There was a great deal of emphasis on new promotional ideas in 1975 which resulted in better support for our product from our dealers.

Microwave Ovens

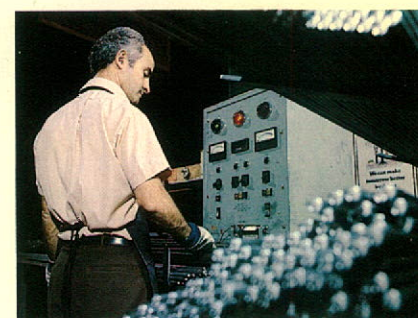
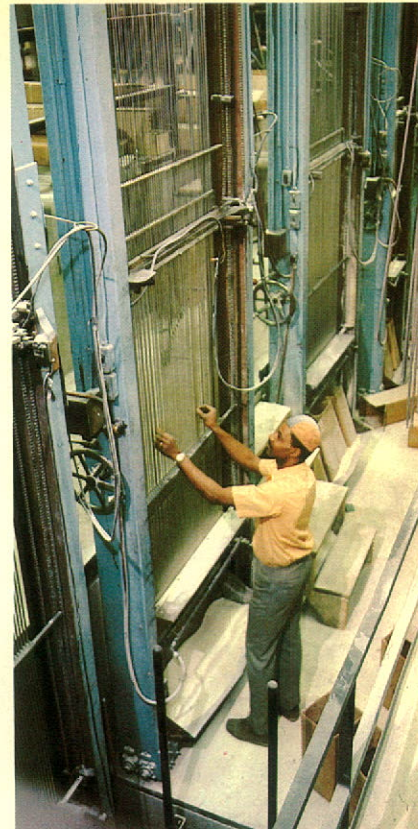
The Microwave Division's Litton/Moffat and Litton/McClary ovens have a dominant position in a market that is growing at over 60% a year. Our partnership with Litton Microwave Cooking Products in Minneapolis has enabled us to offer highly featured, high quality product to the Canadian consumer. GSW has made substantial promotional expenditures to develop a significant share of this important growth market.



Yasko Horii, Anna Anicic and Shizuko Nakai, element core assembly.

Rhonda Giovannini and Brian Minton discuss portable Dishwasher feature.

John Deyell, Ontario Sales Manager, reviews shipping with Frank Greco, Weston.



Heating element rod filling, Winston Matthew, Weston plant.

Automated element forming machine, Tony Ciarrocca, operator.

Rob Harris, Jack Bathurst and Ralph Jeffers, review market forecasts.

Service Division

In March of this year, the Toronto Service Depot at Greensboro Drive was consolidated with the Suntract Warehouse, eliminating the duplication of inventory and its associated labour costs.

This move, and an improved system of parts control, were the main contributors to the improved service performance in 1975.

We are more effective now, in the marketing of our services and the sale of Conrad elements. In early 1976, additional elements added to the line will assure us of success in the entry into the after market for Universal Replacement Element and Appliance Parts.

The on-going Field Quality Reporting System, developed as a tool to assess appliances' product quality, continues to assist Engineering and Quality personnel in making decisions for product improvement programmes.

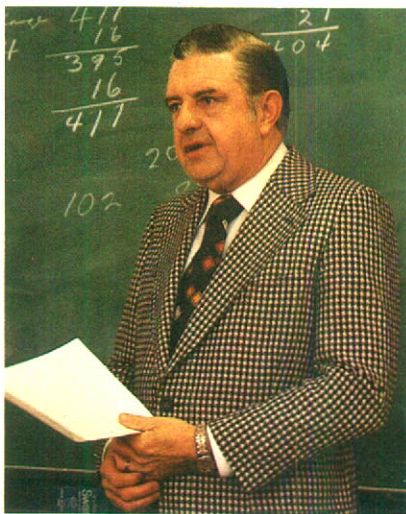
Appliance Sales and Distribution

In 1975, the sales organization was simplified to reduce overheads, while enabling faster response to our dealer requirements. The addition of innovative product features and the changing of the product line structure in the Moffat and McClary lines assisted our dealers to increase their margins, while improving inventory turn-over.

During 1975, two key programmes helped to significantly reduce distribution expenses:

(1) An Ontario Dealer Freight Consolidation Programme has resulted in substantial savings and provided benefits to our customers in fewer shipments, planned receiving programmes, and lower costs.

(2) Efficiencies achieved in the main London distribution centre at Highbury warehouse have resulted in additional cost savings, less handling and damage, and faster distribution of product.



Charlotte Hastings checks inventory records of catalogued service parts.

Electrical technician of 40 years, Joe Kirkham, at Service Division Headquarters, Weston.

Clare Smythe reviews sales objectives at Toronto meeting.



Service training school is conducted by technical instructor, Bob Liscombe.

Ontario sales team meets in Weston Appliance showroom.

London appliance warehouse supplies branch stocks.

Housewares Division

It was teamwork involving labour and management, and the functions of finance, manufacturing, sales and marketing, that contributed to achieving 1975 objectives.

Our customers were supplied top quality products designed and accented with the consumer in mind. As a result, a new record of sales was achieved.

GSW Housewares development team, with R & D input, developed a series of new products for 1976 introduction. These will include storage and cookware products and a new line of indoor planters.

During 1975 the office and cafeteria were redecorated and many changes designed to improve working conditions were put in place. The Housewares employees look to 1976 with much enthusiasm.

Commando Chrome Plating Division

The plating division was acquired in August 1974. The 13,000 sq. ft. modern plant is on approximately two acres of industrial development land, located on Falcon Street in London, Ontario.

The facilities consist of two lines of electroplating, nickle-chrome and zinc. Production normally runs on a two-shift basis with approximately twenty employees.

Customers are drawn from a broad spectrum of industry, including various divisions of GSW, for whom the plant produces items such as refrigerator and range racks.

The Division is anticipating an increased volume in 1976 over 1975 due mainly to the expected recovery in the appliance industry.



Plant and Sales Offices located on Trans Canada Highway in Suburban Montreal.

Dealer showroom at Baie d'Urfe, Quebec Plant.

Chrome plating vat at London plant processes Refrigerator wire shelves.



Silk screen patterns for pantryware being applied by Jacques Myer.

Preparation of parts racks for plating operation, Angela Latille and Ernestine Rosati.

General Products Group

Pump Division

The Domestic Pump Division's sales and market share improved in 1975 despite severe cutbacks in housing and cottage starts. All products other than sump pumps shared in this improvement.

To support this increase, productivity in the Division's redesigned galvanizing facility was stepped up by the addition of specially designed racking for the dipping process. Two new automatic chuckers were added to improve the machining of castings and to further the plan of making the Division completely independent of outside sources in the manufacturing area.

New products introduced during the year included a re-styled series of jet pumps, above ground swimming pool filters, and a pool pump of improved design.

A further substantial export order for our hand pumps was negotiated for shipment to Ghana and there are good prospects for increased sales in this area during 1976 and the following year.

Our long-term facilities planning continues, with studies underway for an expansion of the pump manufacturing facility at Fergus. The Division management regularly examines its facilities for possible changes in layout to improve production flow and ensure that the Division remains competitive in all of its markets.

Water Heater Division

The Water Heater Division achieved an increase in sales, market share and profitability during 1975 despite a decline in the number of units shipped in the Canadian domestic water heater industry.

A significant increase in productivity in the manufacturing area was also achieved during the course of the year.

These gains were due primarily to the improvement in the skills of the division's plant employees as they acquired greater knowledge of both the product and the operation of the new manufacturing processes and equipment.

The division now has the nucleus of a sound manufacturing team upon which to build for future growth.

Challenges facing the division's management in 1976 will include increased market penetration and the integration of the present pump tank fabricating operations into the Water Heater manufacturing area.

It is considered that GSW's Water Heater and Tank facility is now capable of competing internationally and that the key to its future growth, in addition to obtaining increased share of the domestic market lies in expanding into world markets.



Sump pumps ready for final inspection at Fergus plant.

Final assembly Water Heater line, Fergus.



Dick Johnston assembles piston pump, Fergus.

Enamel baking furnace tunnel.



Water system tanks for domestic pumps.

Stamp of approval for finished product, Irene Keller.

Industrial Pump Division

In its second year since acquisition by GSW, the Industrial Pump Division continued its trend of increased sales and profitability.

Activities during 1975 were focussed on strengthening national distribution for sewage pumps and developing new distribution for our range of construction pumps.

Approval of our sewage pumps by the Ministry of the Environment has enabled the division to obtain several Municipal contracts in Ontario and it is anticipated that the division will continue to grow in this new and expanding market.

A major contract was fulfilled early in 1975 to supply sewage pumps to the City of Montreal subway servicing the Olympics.

To improve customer service and strengthen our national coverage, a Montreal office was opened in 1975.

EPM Manufacturing Division

The EPM Division, located in Winnipeg, Manitoba, provides GSW with its first manufacturing base in Western Canada.

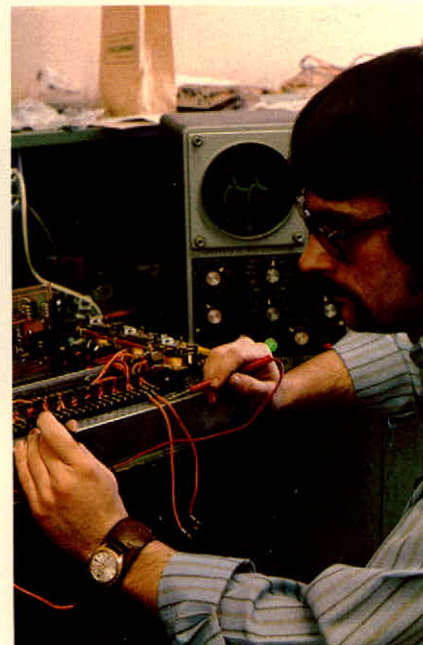
During 1975, the Division continued to expand sales of its line of sewage effluent handling systems and engine-driven pumps while developing new solid state engine controls for use with diesel powered generating stations. The wider application of these controls to automated farm feeding systems is part of the division's growth plan for 1976.

Increased usage of EPM's manufacturing facility is a key to its continued growth and profitability, and it will work closely with the Industrial Pump Division in the development of new markets and the manufacture of products formerly imported.



Angelo Patten inspects sump pump tanks at Bramalea plant.

Walter Willms assembling Barnes SP3 pumps, Winnipeg.



Barnes pump depot repair station, Don Wright and Don Patten.

Fern Andersen, Hans Minkhorst, and Michael Hickman discuss pump rotor design.

Testing solid state Engine Controller, Jerry Esau, Winnipeg plant.

Metalwares Division

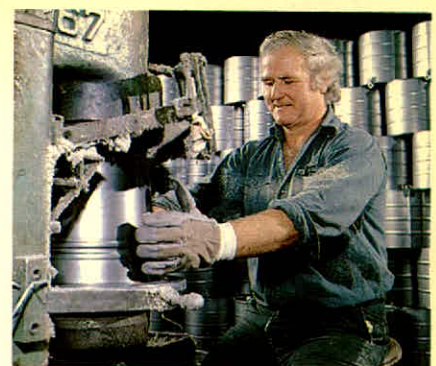
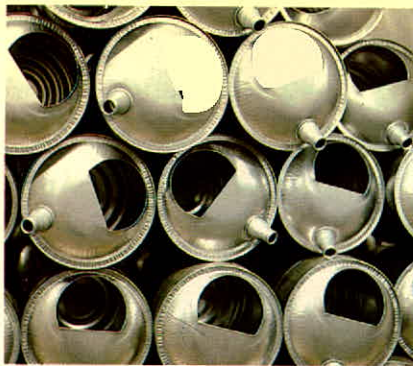
The decline of new housing construction and the resurgence of competitive plastic products had a significant impact on the Division's sales in 1975. However, departmental re-organizations and tight control of investment and expenses minimized the effect on profits.

A new concept developed by Metalwares for the convenience packaging of painted steel and aluminum rain goods assured the consumer of a better quality product and displayed the product in thousands of retail stores across Canada. This program will be expanded in 1976 and the GSW logo will be visible on over 1,000,000 packages on retail shelves across the country.

A new product in fascia cover was added to our Home Improvement line in 1975 to consolidate our position in rain goods sold to the "do-it-yourself" trade.

A new steel slitter line purchased in 1975 will be in operation in the first quarter of 1976 and will reduce material costs significantly.

The redesign of our rectangular waste paper basket is further evidence of a continuous cost reduction program for maintaining our competitive position during a period of high inflation.



Inventory of oil cans, Hamilton plant.

Gino Silla has made millions of lids in the past 15 years.

Material supervisor Stan Bojeski with rainware gutter corner.



Walter Cake, operating pail line equipment.

Ida Vitanza and Frances Siolkowski with shrink wrap packaging machine.

Stamping machine operator, Lillian Turner.

Farm Equipment Division

Although the major problems of material and labour shortages were overcome in 1975, a depressed market for the Division's products has restricted sales.

During the year, heavy emphasis was placed on upgrading quality, improving products, and clearing out slow moving inventory. Much progress has been made in the development of a strong network of distributors, and we have also reached agreement with a new Japanese distributor to expand export sales.

Major engineering achievements in 1975 include an improved pit agitator pump, redesign of pump and frame components for the liquid manure spreader, and initial redesign activity to reduce costs of the Century silo unloader.



Loading heavy farm units, lift truck operator, Roland Ketchen, at Fergus plant.

Al Lankin and Lew Mason examine blowers prior to shipment.

Wringer Washer Tub assembly, Fred Smith.



Robert Hagen inspects after assembly.

Stan Abbott assembling gear box for Wringer Washer, Fergus plant.

Export order for Wringer Washers is packed by Bill Dobbie, Fergus.

Industrial Division

In 1975 the Industrial Division established new distribution for wringer washing machines in Central America and the Middle East, which helped to offset a reduced demand from the domestic market.

The Division continues to service domestic accounts through independent sales agents. Some changes were made in 1975 to strengthen this effective distribution organization.

The manufacturing operation has been condensed and projects have been undertaken to improve productivity and maintain competitive costs in our international market. The design of a smaller export package to reduce freight costs has been a significant contribution.

Development of export sales for machines and components through our agents and the multi-national corporations is our main area of activity and provides the greatest opportunity for 1976.

Building Products Division

Record sales were achieved by the Building Products Division in 1975 despite a general softening in the construction industry. Market share of both Lockers and Toilet Partitions was increased.

In order to supply this strong demand for our products, the plant ran on a three shift basis well into the third quarter. In September, a major extension to the London facility was commenced, which will increase the production area by 30%.

The expansion includes new shipping and warehousing facilities, plus an enlarged manufacturing area. New painting equipment and an additional conveyor system are being added, which will provide a significant increase in production capacity.

A quality audit programme was implemented at various levels in the manufacturing process to ensure that our high level of customer satisfaction is maintained.

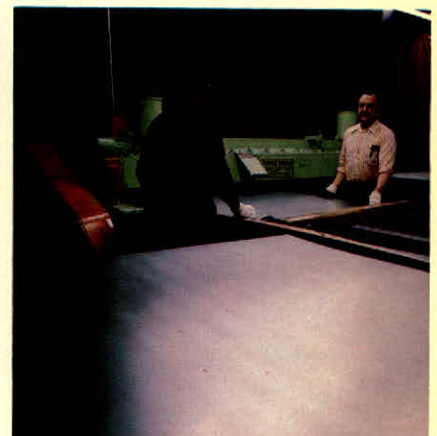
In 1975, we took the initial steps toward developing our export programme by establishing distributors in selected U.S.A. centres, as well as in the United Kingdom.

Our 1976 product plans include the introduction of a newly designed locker model to complement the existing model line. This new model will be sold through our existing channels of distribution, and will provide the opportunity to enter new markets.



Spray booth for locker door panels, London plant, Vince Scott.

Product display facility for steel locker line.



Page Street plant and offices, London, Ontario.

Ron Walker and Julian Blaszkow cutting steel sheets.

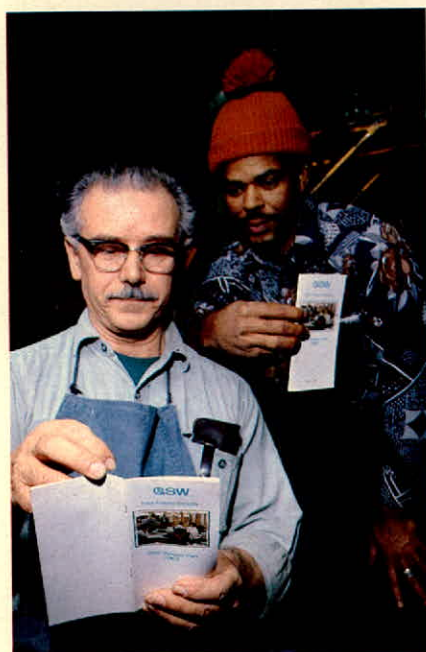
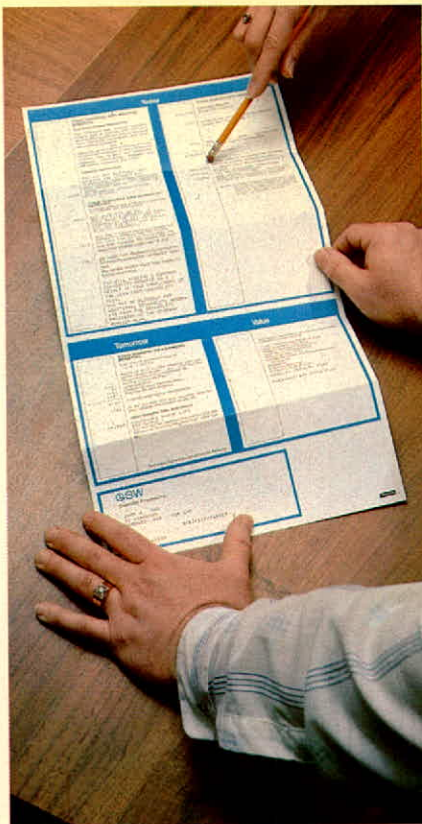
Employee Communications

In recognition of the importance of continuing dialogue among employees throughout the company, a series of on-site visits was completed by the President in 1975. These visits provided an opportunity for candid exchanges of views, and many specific suggestions have been reflected in the daily operation of the company. This programme of personal communication at regular intervals, with various groups of employees will continue as a means of personal contact.

Monthly Labour-Management meetings are held at all company sites so that employees may be informed regularly of company progress. This also provides a forum for mutual understanding of site questions and recommendations for solution.

The company recognizes the need of its employees for current, factual information on benefits provided to them and their families under various company and government programmes. In 1975, each employee received an independently prepared statement of benefits to assist in planning for future security.

Our own "GSW Review" is published quarterly and follows the principle that this newspaper should be by our employees and about our employees. Accordingly, the news and commentary are prepared by staff reporters at various company locations.



Company Benefits Statement, personalized report on benefits provided to each employee.

Pension booklets are examined by Frank Pazaver and Henry Sutherland at Weston plant.



Dini Dalby prepares GSW Review, quarterly employee magazine.



Annual Report is mailed to all company employees.

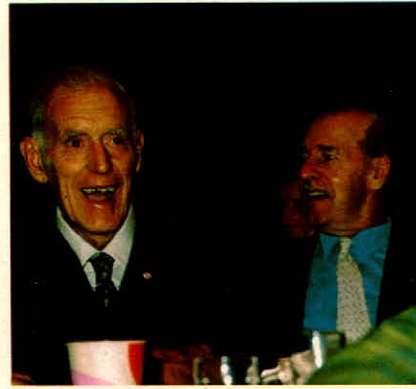
Quarter Century Club

The Quarter Century Club, with chapters at major manufacturing locations, is sponsored by the company to provide recognition and appreciation to those employees who have completed twenty-five years service. Each chapter is administered by a local committee and meets annually to induct new members and present them with a commemorative gift.

The combined membership in the Club now totals 928, with the addition of 49 new members in 1975. Of the total membership 585 are still actively employed by GSW, and they represent 20,100 combined years of service.

Among the 343 retired members who remain active in the Club, there are numerous examples of employees who have enjoyed a long retirement while blessed with a keen mind and good health. There are many family combinations of long service employees who have accumulated remarkable service records.

The Quarter Century Club provides an opportunity for retired employees to renew long-standing acquaintances with their former co-workers and to retain ties of friendship. Through this association, many retired employees maintain an active interest in the activities and progress of the company.



Toronto Quarter Century Club member of 33 years – Edythe Schofield.

London Quarter Century Club members: Frank Johnston, retired, and C. Allington, 37 years.

Fergus Quarter Century Club members: Robert, George and Stan Abbott with 120 years of service.

Fergus Quarter Century Club member: Mel Nixon, 38 years, with young friend.

Toronto Quarter Century Club Annual Dinner, December, 1975.

Safety Programmes

The company is vitally concerned with safety in its facilities, and in addition to meeting standards for protective devices on equipment, GSW sponsors a number of activities to promote safe working conditions.

Each plant has a Safety Committee, which is comprised of representatives from the work force and the management group. The Committees meet monthly to tour facilities and consider safety from all aspects. They report to the senior site manager on their findings and make recommendations for improvements in such important areas as equipment, building structure and repairs, materials handling, housekeeping and working conditions.

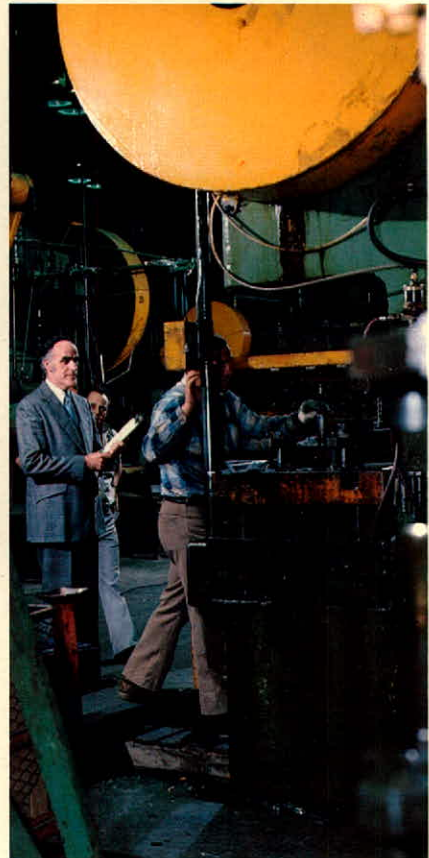
Within the broad context of safety, each location also has a formal fire prevention programme. This activity consists of a Fire Prevention Committee which conducts regular checks of fire-fighting equipment, sprinkler valves, and evacuation procedures. Local volunteer firefighting units are trained in emergency requirements.

Employees are also encouraged and assisted in obtaining training in first-aid and emergency measures.



Maintenance of proper safety equipment for drilling operation, Joseph Hachey, Fergus.

Ross Broome impact and heat tests Moffat smooth top range prior to final assembly.



Safety inspector Jim Adamson in Weston plant.

Research Centre Development

In the past year the Research Centre developed a closer working relationship with the operating divisions, resulting in the most successful year in the Centre's brief history.

Major projects were undertaken for the Range, Refrigerator, Water Heater and Freezer Divisions. One of these concerned the method of attaching tubing to epoxy coated freezer liners. The process produces a product of superior quality and lower cost. The new manufacturing method will result in increased production capacity in the Division.

The Centre provided on-going technical assistance to all operating divisions. Housewares, Microwave Ovens, Metalwares, Laundry and Farm divisions received major emphasis. Many of the projects were at the specific request of senior operating managers with whom progress is regularly reviewed.

Future technical programmes will concern alternate material selection, process improvements and energy conservation. GSW's goal of achieving technical leadership and becoming internationally cost competitive will continue as an on-going challenge to the Research Centre and its people.



Assembly of induction element test stand.

Construction dies are prepared for mock up unit by Gordon Smith and Bill Beitz.

Exterior of Sheridan Park Research Centre in Mississauga, Ontario.



Brock Parker takes temperature readings from exterior of refrigerator.

Bob Tilton and Doug Martin conduct induction element tests.

Philosophy

Strategic Planning

GSW believes planning is essential to achieving its goal of becoming a Canadian based, internationally competitive business enterprise. The company believes that there is a demonstrated correlation between formal planning and successful operation of a business over a long period of time. Planning is done in three related stages.

First, there is a Conceptual Plan developed by members of the Corporate Office, which provides the general direction over a fifteen year time period. This stage consists of an evaluation of the present and future environments, and broadly defines the areas of business participation which the company may seek under alternative conditions.

Secondly, within the broad framework of the Conceptual Plan, a Strategic Plan is developed within each Division. This is a five-year blueprint for achieving the corporate objectives for that period. This stage develops the marketing strategies and defines the resources necessary to attain the plan. Facilities, manpower, supply and financing plans are developed to insure achieving the objectives.

The third planning stage is the annual Operating Plan which seeks to implement the first year of the five-year Strategic Plan. This is a control document which managers develop for their own area of responsibility and then commit to achieve.

Planning is the responsibility and undertaking of line managers, and, although formalized at intervals, the planning process is continuous. Management performance is assessed for achievement of both short-term and long-term plans and objectives.

Organization Concept

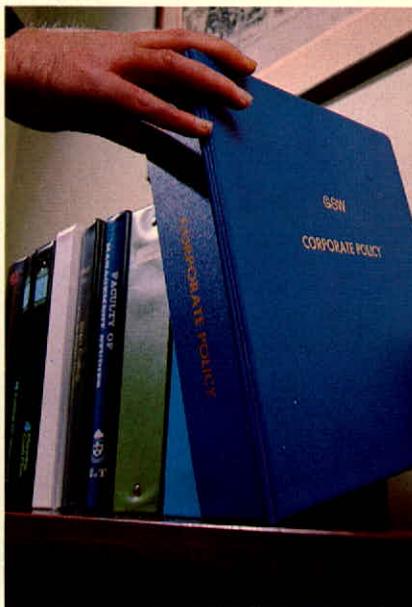
GSW follows the principle that decisions should be made at the lowest level of management at which they can be made effectively. Accordingly, the company has adopted a decentralized management organization with decentralized profit and investment responsibility, while maintaining extensive financial planning and reporting, and centralized resource allocation. To reinforce this concept, the only charges to divisions by the corporate office are for uses of realty and capital.

Each division assumes all of the functional responsibilities essential to the operation of its business. The close relationship and interaction of the various functions within the division, under the direction of a General Manager, is the ingredient which maximizes the effectiveness of each business unit.

Personal Development

The organization structure developed within GSW provides an environment for the training and development of management and technical personnel. This enables us to pursue a policy of promoting from within, although outside recruiting may be necessary if a qualified candidate has not been identified within the company. Back-up charts are continually up-dated.

Our people have a clear understanding of their responsibilities, based on comprehensive and current position descriptions. In addition, standards of performance are mutually agreed upon at the beginning of each year: results are then reviewed against these standards by the employee with his supervisor. Personal development programmes are implemented as a result of this process.



Labour Management meeting at Housewares plant, Montreal.



Labour Management Relations Committee meeting, Fergus.

Plans are reviewed regularly.

Operations are conducted in accordance with Corporate Policy.

Co-operative labour management spirit is expressed by John Ewenson, Fergus.

Financial

Report of the Board of Directors

To the Shareholders:

Sales of \$134,664,000 in 1975 were 10% ahead of the 1974 sales of \$122,339,000. Appliance group sales showed substantial growth, with freezers responding to a particularly strong market. The market for other major appliances showed a definite improvement in fourth quarter 1975 from the depressed levels which prevailed in the fourth quarter of 1974 and the first three quarters of 1975. In other divisions of the company, uneven demand was experienced, with Farm and Metalwares divisions being affected by weaker markets than in 1974. Water Heater sales showed a strong recovery from the artificially low level of 1974, when the division experienced production constraints due to the start-up of a major new facility in Fergus, Ontario. Building Products division had strong acceptance of its high quality lockers and partitions.

Net income for the year was \$5,357,000 or \$1.30 per share compared to \$3,119,000 or .74c per share in 1974. Appliance group profits continued to improve in 1975 due to increased volume and good expense control. These divisions are now showing the positive effects of rationalizing the household appliance business of Moffats Limited, acquired in 1971, and the national coverage of GSW Home Service which was established in 1971 with the acquisition of McDonald's Appliance Service Limited. Water Heater profit improvement in 1975 reflected higher output and productivity levels in our new facility. Building Products profit increased on the strength of volume increases and manufacturing efficiency. Although Farm and Metalwares divisions implemented significant cost savings, these were not sufficient to offset the effects of large market declines, and accordingly, earnings in these

divisions were lower than in 1974. Accounts receivable levels in days outstanding have been held below 1974 levels throughout 1975 and were under excellent control at December 31st. Inventories were systematically reduced, under improved control methods, from their opening high of \$35,790,000 to \$23,040,000 at December 31st, a reduction of \$12,750,000. The higher rates of production and new materials input in the fourth quarter 1975 compared to 1974, resulted in an increase in accounts payable in 1975 of \$5,683,000.

As a result of cash generated mainly by 1975 net income and the reduced investment in inventories, your company concluded the 1975 year with \$1,106,000 in cash deposits and no bank loans, whereas bank borrowings at December 31, 1974 amounted to \$19,137,000.

During 1975, expenditure programmes for the future were continued. Expansion of the Building Products facility in London, Ontario began in 1975 for completion early in 1976. This expansion will provide the production capacity needed to sustain future growth in this division.

Re-arrangement of appliance production facilities resulted in transfer of all range production into the range plant in Weston, Ontario. Refrigerator and Laundry products are being manufactured in separate facilities in the London plant.

Product development and design improvement have had continued emphasis in 1975 in the divisions, and the Research and Development Centre at Sheridan Park has played a major role in working with the product divisions to advance new product concepts to meet the future needs of consumers. Your company has not only sought excellence in the design and manufacture of its products, but has also implemented improved service to customers. Many new products were successfully brought to market during 1975, such as the Gourmet Smooth Top Range, the Variable Power Microwave Oven, a completely re-designed McClary appliance line, and new style pantry-ware and cookware lines.

Organization and Personnel

During 1975 the corporate functions of industrial relations, supply and traffic were taken over by the operating groups. This is in keeping with the company's policy of placing key operating support activities in the groups.

George S. Dickson was appointed Vice-President, Corporate, and has assumed responsibility for further expansion by GSW into components manufacturing.

In recognition of the growing importance of our Housewares division, and the growing importance of our market in Quebec, Normand St-Jean was appointed a Vice-President. Mr. St-Jean joined GSW in 1971, and has held a number of senior responsibilities prior to his new appointment.

G. S. MacDonell, who served your company as a senior executive for five years, has resigned and we wish to make note of his substantial contribution.

GSW continues to follow its policy of promoting from within, and as part of this policy it continues to recruit at Canadian universities.

As noted elsewhere in this report, your company is proud of the Canadian men and women who operate its divisions with skill and vigour.

Acquisitions

It is the policy of your company to grow by acquisition within our well defined business areas where such growth can be achieved more quickly and profitably than otherwise. During 1975 several potential acquisitions were considered. None were completed. You may be aware from press reports that GSW did seek to acquire the appliance business of Canadian Westinghouse during 1975. At the time this report is being written, the problem of who will gain access to the rights to the trade mark "Westinghouse" is before the Federal Cabinet. Until this matter is resolved, GSW will be unable to proceed with this acquisition. GSW's long stated goal is to be internationally competitive in each of its business areas, and we believe this acquisition would be another step in the creation of a Canadian based internationally competitive appliance company.

Outlook

Demand for GSW products continues to be mixed. The impact of controls administered by the Anti-Inflation Board is uncertain. Therefore, we view the prospects for 1976 with cautious optimism, and continue to be confident that our strengthening position in our various markets fully justifies the substantial investments we have made in those markets over the past several years.

The Board wishes especially to thank all of the employees of GSW for the contribution each has made to the Company's success in 1975. It has been a most erratic and unpredictable year due to rapidly changing market conditions and a high rate of inflation.

On behalf of the Board:


R. A. Stevens,
President

R. M. Barford,
Chairman



Consolidated Statement of Income (000's)

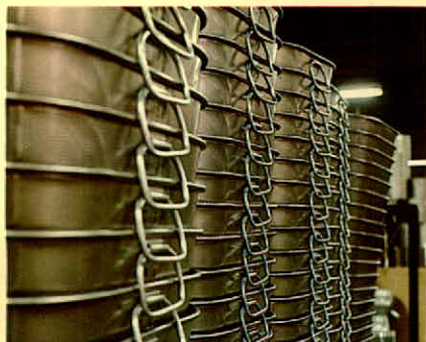
GSW LIMITED – GSW LIMITÉE

Year ended December 31, 1975

(with comparative figures for 1974)

	1975	1974
Net sales	\$134,664	\$122,339
Income before undernoted items	12,181	8,681
Interest on long-term debt	204	173
Interest on other loans	1,180	1,701
Depreciation	1,085	1,078
	<u>2,469</u>	<u>2,952</u>
Income before income taxes	9,712	5,729
Income taxes	4,355	2,610
Net income for the year	\$ 5,357	\$ 3,119
Earnings per common share	\$ 1.30	\$ 0.74

(See accompanying notes)



Consolidated Balance Sheet (\$000's)

GSW LIMITED – GSW LIMITÉE

(Incorporated under the laws of Canada)

December 31, 1975 (with comparative figures for 1974)

Assets	1975	1974
Current		
Cash	\$ 1,106	\$ 344
Accounts receivable	20,357	15,762
Inventories – finished goods	11,362	19,118
– raw materials and work in process....	11,678	16,672
Prepaid income taxes (note 2)	1,192	869
Prepaid expenses	901	622
Total current assets	46,596	53,387
Fixed		
Land, buildings and equipment	23,385	22,259
Less accumulated depreciation	15,321	14,647
Total fixed assets	8,064	7,612
Other		
Prepaid income taxes, non-current portion	143	206
 Total assets	 <u>\$54,803</u>	 <u>\$61,205</u>

On behalf of the Board:

R. A. Stevens, Director

R. M. Barford, Director

Liabilities and Shareholders' Equity**1975****1974****Current**

Bank indebtedness	\$ -	\$19,137
Accounts payable and accrued liabilities	20,135	14,452
Income and other taxes payable (note 2)	5,428	3,579
Dividends payable	19	26
Long-term debt due within one year	215	170
Total current liabilities	25,797	37,364
Provision for warranties, non-current portion	1,589	1,433
Long-term debt (note 3)	2,782	2,550
Total liabilities	30,168	41,347

Shareholders' Equity**Share capital (notes 4 and 5)**5% cumulative preferred shares of \$100 each
redeemable at \$105

Authorized and issued less redeemed

15,149 shares (1974 - 20,728)

1,515 2,073

Common shares without par value -

Authorized Issued

Class A 1,360,926 1,316,278 774 774

Class B 20,000,000 2,755,778 1,637 1,637

21,360,926 4,072,056 2,411 2,411

Contributed surplus

417 362

Retained earnings

20,292 15,012

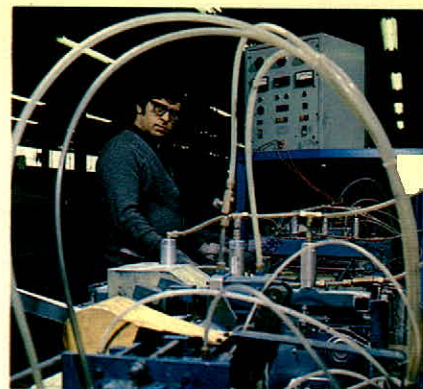
Total shareholder's equity

24,635 19,858

Total liabilities and shareholders' equity

\$54,803 \$61,205

(See accompanying notes)





Consolidated Statements of Retained Earnings and Contributed Surplus (\$000's)

GSW LIMITED - GSW LIMITÉE

Year Ended December 31, 1975

(with comparative figures for 1974)

	1975	1974
RETAINED EARNINGS		
Balance, beginning of year.....	\$15,012	\$11,998
Add net income for the year.....	5,357	3,119
	<u>20,369</u>	<u>15,117</u>
Deduct dividends on preferred shares.....	77	105
Balance, end of year.....	<u>\$20,292</u>	<u>\$15,012</u>
CONTRIBUTED SURPLUS		
Balance, beginning of year.....	\$ 362	\$ 339
Add gain on purchase of preferred shares.....	55	23
Balance, end of year.....	<u>\$ 417</u>	<u>\$ 362</u>

(See accompanying notes)



Consolidated Statement of Changes in Financial Position (\$000's)

GSW LIMITED - GSW LIMITÉE

Year Ended December 31, 1975

(with comparative figures for 1974)

	1975	1974
Funds were derived from:		
Operations -		
Net income for the year	\$ 5,357	\$ 3,119
Less dividends on preferred shares	77	105
Income retained for use in the business	5,280	3,014
Add charges not requiring funds -		
Depreciation	1,085	1,078
Reduction in prepaid income taxes, non-current	63	296
Provision for warranties, non-current	156	305
Funds from operations	<u>\$ 6,584</u>	<u>\$ 4,693</u>
Funds were applied to:		
Purchase of fixed assets	\$ 1,537	\$ 2,060
Redeem preferred shares	503	151
Decrease (increase) in long-term debt	(232)	170
Increase in working capital	4,776	2,312
	<u>\$ 6,584</u>	<u>\$ 4,693</u>
Changes to working capital		
Bank indebtedness (decrease) increase, net of cash	\$(19,899)	\$ 7,794
Sources (applications) of cash		
Accounts receivable	(4,595)	1,521
Inventories	12,750	(14,063)
Accounts payable and accrued liabilities	5,683	1,006
Income and other taxes	1,526	1,510
Other net current assets	(241)	(80)
Net sources (applications) of cash	15,123	(10,106)
Increase in working capital for the year	<u>\$ 4,776</u>	<u>\$ 2,312</u>

(See accompanying notes)



**Notes to
Consolidated Financial
Statements**

GSW LIMITED – GSW LIMITÉE

December 31, 1975

**1. Summary of significant
accounting policies**

The following is a summary of certain significant accounting policies followed in the preparation of the consolidated financial statements:

- (a) Basis of consolidation –
The consolidated financial statements reflect a consolidation of GSW Limited – GSW Limitée, GSW Appliances Limited, McDonald Appliance Service Limited, The Easy Washing Machine Company Limited, Duro Aluminium Limited, Sta-Rite Industries of Canada Limited, Barnes Pump Company Limited, EPM Manufacturing Company Limited, and Commando Chrome Plating Company Limited.
- (b) Inventory valuation –
Inventories are valued at the lower of cost and market. Cost is determined principally on a first-in, first-out basis. Cost includes material, labour and variable and fixed manufacturing overhead costs. No fixed manufacturing overhead costs are included in inventory valuation on quantities judged to be in excess of normal minimum inventory levels. Market value is net realizable value for finished goods and work in process and replacement cost for raw materials.
- (c) Fixed assets and depreciation –
Fixed assets are stated at acquisition cost, including transportation and installation charges.
Generally, depreciation is determined using the declining balance method. This results in accumulated depreciation of approximately two thirds of the cost of an asset during the first half of its estimated useful life.
- (d) Product warranty costs –
Anticipated costs related to product warranty are recorded in the year in which the product is sold.
- (e) Pension plan costs (see also note 6) –
Costs relating to improvements in pension benefits granted by the company for employment in prior periods are amortized over fifteen years from the date such costs are established.

- (f) Income taxes –
Income taxes are provided for on reported income in accordance with the tax allocation method of accounting. Under this method prepaid or deferred income taxes are recorded in respect of timing differences between reported income and current taxable income.

These timing differences relate principally to service contract revenue which is taxed as received rather than as earned, warranty costs which are deductible when paid rather than when accrued and differences between depreciation claimed for tax purposes and that recorded in the accounts.

- (g) Other significant policies –
Continuing research and development costs are recognized as expenses when incurred. Engineering, tooling and patent costs are treated in the same manner.

2. Prepaid income taxes

During the year the companies received income tax re-assessments, relating to prior years, in respect of service contract revenue whereby this revenue became taxable in the year of payment rather than as earned. The taxes assessed are in respect of a timing difference between accounting and taxable income (see note 1 (f)), therefore there is no effect on net income as previously reported. To reflect these re-assessments, the 1974 comparative figures have been restated by increasing income taxes payable and prepaid income taxes by the cumulative effect of \$869,000. The companies intend to file a Notice of Objection to this re-assessment.

3. Long-term debt

The long-term debt consists of:

	1975	1974
	(\$000's)	
6% mortgages payable, due December 31, 1981	\$2,550	\$2,720
10 1/2% agreement of purchase and sale due February 17, 1985	447	-
	<u>2,997</u>	<u>2,720</u>
Less amounts due within one year	215	170
	<u>\$2,782</u>	<u>\$2,550</u>

Principal repayment requirements are \$215,000 annually to 1980, \$1,745,000 in 1981 and \$45,000 annually thereafter to 1985.

4. Share capital

The Class "A" and Class "B" common shares are equal in all respects except that the Class "A" common shares have 100 votes per share and the Class "B" common shares have one vote per share. A holder of Class "A" common shares, at any time may convert them into an equal number of Class "B" common shares. During the year, 400 Class "A" shares were converted into Class "B" shares.

Under the terms and conditions relating to 5% cumulative preferred shares, a sinking fund is to be set aside by July 1st each year for the purchase of redemption of these shares, the amount being determined in accordance with a formula based on the consolidated net income for the previous year. 5,579 shares were so purchased for cancellation in 1975. As a result of preferred share purchases made during 1975 and early in 1976 no preferred shares need be called for redemption in 1976.

5. Share options

At December 31, 1975 options on 30,000 Class "B" shares are outstanding.

Option prices on these shares are as follows:

- 15,000 Class "B" shares at \$4.00 per share
- 15,000 Class "B" shares at \$4.38 per share

The exercise of these options would not materially dilute earnings per share. There were no options granted or exercised during 1975.

6. Pension plans (See also note 1 (e)).

There are a number of pension plans for present and retired employees of the company and its subsidiaries. Based upon the most recent actuarial valuations the total estimated unfunded obligation as at December 31, 1975 amounts to approximately \$2,900,000.

7. Remuneration of directors and officers

The company has nine directors. The aggregate remuneration of directors as directors was \$35,000 in 1975 and \$30,000 in 1974. The company has eleven officers of whom three are also directors. The aggregate remuneration of officers as officers was \$659,000 in 1975 and \$629,000 in 1974.

8. Lease agreements

Under the terms of various lease agreements the company is obligated to an average annual commitment for the next five years of \$350,000.

9. Fixed asset commitments

At December 31, 1975 the company entered into approved programs which on completion will result in additions to fixed assets of approximately \$1,100,000.

10. Anti-Inflation Program

Effective October 14, 1975 the federal government passed the Anti-Inflation Act and subsequently issued Regulations which are presently scheduled to be in force until December 31, 1978. Under this legislation the companies are subject to mandatory compliance with controls on prices, profit margins, employee compensation and shareholder dividends. The effects on the companies of the Regulations on prices, profit margins and employee compensation are not yet clear owing to uncertainties as to interpretation and the need to develop appropriate data from the companies' records.



Auditors' Report

**To the Shareholders of
GSW LIMITED – GSW LIMITÉE**

We have examined the consolidated balance sheet of GSW Limited – GSW Limitée and its subsidiary companies as at December 31, 1975 and the consolidated statements of income, retained earnings, contributed surplus and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1975 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Clarkson, Gordon & Co.

Chartered Accountants

Toronto, Canada,
February 24, 1976.

Five-Year Review

(in thousands except per share data)

GSW Limited – GSW Limitée

Year Ended December 31

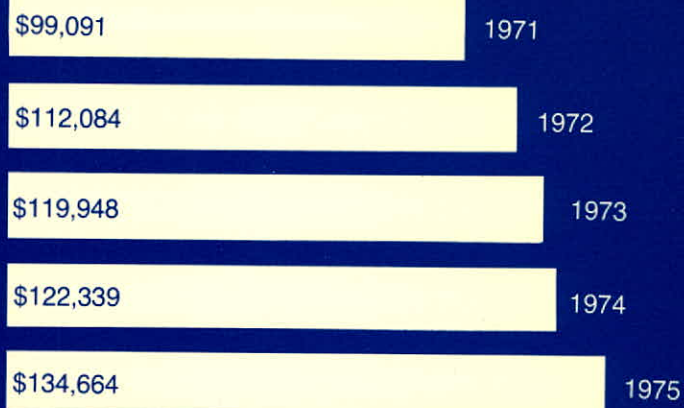
	1975	1974	1973	1972	1971
GSW RESULTS FOR THE YEAR					
Net Sales.....	\$134,664	\$122,339	\$119,948	\$112,084	\$99,091
Net Income before extraordinary items.....	5,357	3,119	502	2,686	1,536
Net Income after extraordinary items.....	5,357	3,119	502	3,544	2,708
Earnings per common share (see note)					
Before extraordinary items.....	1.30	.74	.09	.63	.35
After extraordinary items.....	1.30	.74	.09	.84	.65
Depreciation.....	1,085	1,078	840	843	765
Additions to fixed assets.....	1,537	2,060	1,022	583	4,577

GSW FINANCIAL HIGHLIGHTS AT YEAR-END

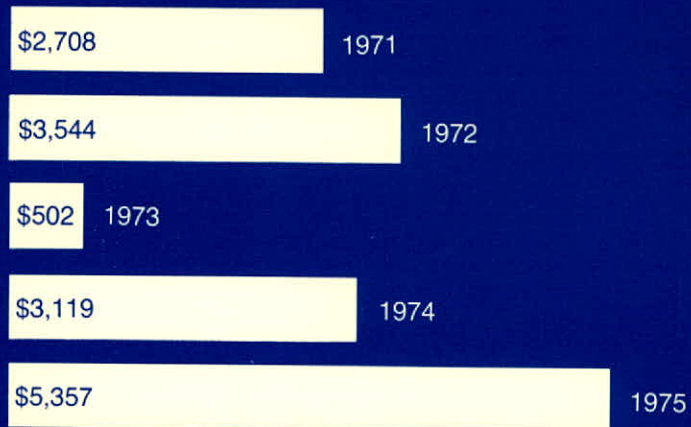
Working capital	\$ 20,799	\$ 16,023	\$ 13,711	\$ 13,757	\$10,657
Current ratio	1.8 to 1	1.4 to 1	1.5 to 1	1.5 to 1	1.4 to 1
Fixed assets at net book value	8,064	7,612	6,630	6,448	6,707
Total assets.....	54,803	61,205	47,380	48,839	43,003
Long-term debt.....	2,782	2,550	2,720	2,890	3,810
Shareholders' equity	24,635	19,858	16,995	16,758	12,974
Common shares outstanding (see note)	4,072	4,072	4,072	4,063	3,982
Preferred shares outstanding	15	21	22	24	25

Note: Common share data for 1972 and 1971 has been adjusted to give effect to a 2 for 1 stock split in 1973.

Sales (in thousands of dollars)



Net Income (in thousands of dollars)



GSW Limited/Limitée

